



THE STRATEGIC PLAN

*of the Indiana Public Retirement System (INPRS)
for the period of Fiscal Years 2015 – 2017*

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INTRODUCTION

FISCAL YEAR 2014 ACCOMPLISHMENTS

In FY2014, the Indiana Public Retirement System (INPRS) continued to make progress towards its strategic goals and objectives. FY2014 marked the completion of a multi-year initiative to modernize every major business software application. The fifth and final component of the modernization was realized with the implementation of a new pension administration system, known within INPRS as the Indiana Pension Administration System (INPAS). With modern systems in place, INPRS established a long term IT technology roadmap that will ensure that these new systems remain relevant in an ever-changing industry landscape.

The Communication and Outreach function underwent a major restructuring to meet member needs. Resources have been redeployed closer to the homes of our members with more activities taking place in group settings. The net result has been a significant increase in the number of members receiving timelier counseling services without an increase in spending.

The INPRS Board took action to help preserve the financial stability of the Public Employees' Retirement Fund (PERF) and the Indiana Teachers' Retirement Fund (TRF). The actuarial factors and assumptions used to calculate member benefits including the conversion of Annuity Savings Account (ASA) monies into annuities were updated to reflect the reality of today's financial market conditions. The Indiana General Assembly passed legislation that slightly modified the Board's original plan, but the guiding principles of preserving the financial integrity of the fund remained intact.

Overall, INPRS completed or is on track to complete all 58 FY 2014-2016 strategic objectives. Of the 58 strategic objectives, 24 were completed, and 9 of the strategic objectives had target date revisions pushing them from FY 2014 to future periods. INPRS also successfully completed or is on track to complete all of its 59 FY 2014-2016 key operational requirements.

MOVING INPRS FORWARD – ASSET MANAGEMENT AND BENEFIT ADMINISTRATION

Asset Management

INPRS is a steward of nearly \$24 billion of defined benefit assets held in trust for members and their beneficiaries. INPRS underwent a major change in its approach to allocating defined benefit assets in 2011. INPRS shifted from a traditional dollar based allocation model to a risk based allocation model. Since its inception, the risk based allocation model has performed

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as expected. However, as financial market outlooks change from both a return and risk perspective, it is vital that INPRS periodically update its model. During fiscal year 2015, INPRS will conduct a comprehensive study of our asset allocation, factoring in the latest projections of plan liabilities.

INPRS is also a steward of nearly \$6 billion of ASA and Defined Contribution (DC) assets. Members choose how to allocate their monies across a menu of options provided by INPRS. Today, members can choose a variety of options found in most private sector DC plans. As the DC industry changes, INPRS must keep pace. INPRS will continue to evaluate the number and type of options provided to members.

Benefits Administration

The completion of major operational projects has strategically placed INPRS at an inflection point. Driven by our Vision “to be the premier institutional retirement system”, INPRS is uniquely positioned for a radical change in our operational culture.

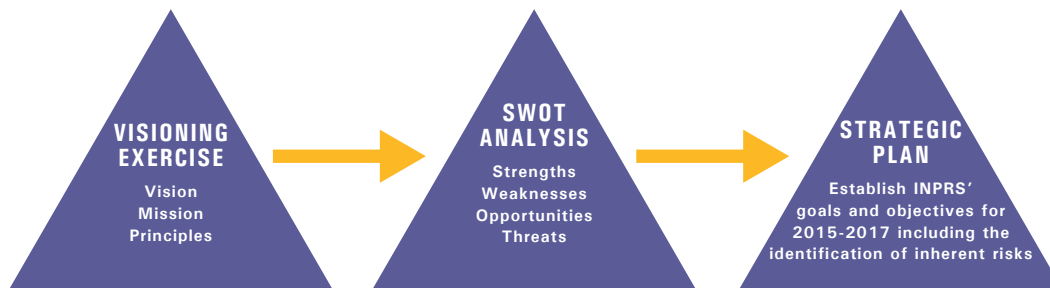
Two major initiatives, one mature in its life cycle and the other very young in its cycle, demand that INPRS embrace change as we strive to better serve our members.

The first of these two initiatives delivered modern business software applications to the INPRS information technology infrastructure. With major building blocks now in place, the first year of the upcoming strategic plan period includes objectives that will deliver additional value to members while improving our data security and integrity. With modern business applications as a foundation, INPRS will also move forward with a second major initiative. This initiative will establish a formal Quality Management System (QMS) that will maximize value from our investments in modern business applications.

The establishment of an INPRS QMS will stretch throughout this Strategic Plan period and beyond as it embodies the principles of continuous improvement. The INPRS QMS will integrate existing capabilities in risk management, project management, change management, and vendor management alongside new capabilities in process management. The early stages focus on embedding the skill sets necessary for key personnel to become proactive problem solvers rather than reactive firefighters. Later stages will provide knowledge and guidance to all personnel within INPRS until the principles of quality management pervade every aspect of our daily business activities. Although the INPRS QMS initiative is a specific objective in the FY2015-17 Strategic Plan, it will also enable the accomplishment of many other goals and their underlying objectives.

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THE STRATEGIC PLANNING PROCESS



■ Visioning Exercise

We first examined the existing Vision, Mission, and Principles of INPRS to determine if they were appropriately stated to meet the challenges we know INPRS faces. The Vision is what INPRS aspires to be; the Mission is the fundamental purpose of the entity; the Principles are INPRS' enduring values that set the standards for the behaviors we will exhibit in striving to achieve the Vision and accomplishing our Mission.

Vision

To be the premier institutional retirement system, respected by stakeholders, peers, and community.

Mission

We advance the achievement of retirement security for current and future retirees and beneficiaries through our delivery of operational and investment excellence, exemplary customer service and trusted stakeholder communication.

Principles

Integrity. We hold ourselves and each other accountable to the highest standards of ethical behavior.

Stewardship. We prudently invest and manage the assets held in trust for current and future retirees. We rigorously identify, measure and manage risk.

Best in Class Operations. We efficiently deliver accurate, timely retirement benefit payments and related services with attentiveness to high quality customer service. We focus on quality management and continuous improvement.

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Trusted Source. We are our stakeholders' trusted source of reliable information about the role that INPRS plays in retirement preparation.

Collaboration and Shared Purpose. We value professionalism, teamwork and operational excellence. We seek out stakeholder input when setting priorities and balancing cost with value.

■ SWOT Analysis

The next step involved was performing a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of INPRS. A SWOT analysis provides a holistic perspective of the entity with consideration for the favorable and unfavorable circumstances that influence it. The SWOT also indicates circumstances that INPRS should exploit or avoid. The overall objective of the SWOT is the development of an INPRS strategy that will align its resources to the environment in which it operates in its pursuit of stakeholder value.

■ Strategic Plan

The preceding steps cumulated in the creation of the 2015-2017 Strategic Plan objectives. Whereas the previous steps define our destination and establish the context, it is the creation of the objectives that will create the roadmap that will actually guide us to that destination.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 1: Deliver member services and benefit payments accurately, timely and efficiently.

Strategic Objectives

- Develop and execute an integrated vendor business model that optimizes the delivery of services and positions INPRS as a desirable partner.
- Improve call center performance including improvements to call center follow-ups, call backs and escalations.
- Increase the accuracy, timeliness and efficiency of processing requested defined benefit inception through enhancements to the Indiana Pension Administration System (INPAS) and the implementation of new quality and process management tools.
- Increase the accuracy and timeliness of requested Annuity Savings Account (ASA) withdrawals and annuity conversions.
- Reduce the number of paper checks issued for first time benefit recipients to increase new retiree satisfaction.
- Increase member use of existing online tools including but not limited to online retirement applications and the online retirement tracker.
- Implement tracking of timely ASA contribution postings to member accounts.
- Evaluate the use of debit cards in place of paper checks for pre-existing benefit payments to improve efficiency and to make payments more convenient and secure for members.

Key Operational Requirements

- Distribute accurate 1099-R documents by January 31 of every year.
- Track, trend and report on complaint and escalated cases.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 1: Deliver member services and benefit payments accurately, timely and efficiently.

Key Operational Requirements, cont.

- Report timeliness and quality of payments to members.
 - Monthly payroll
 - Weekly payroll
 - Retirements
 - Disability
 - Death
 - Annuity Savings Account (ASA)

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 2: Maintain stakeholder trust and customer satisfaction through effective communication, education and collaborative relationships.

Strategic Objectives

- Increase Web site satisfaction and improve the Cost Effectiveness Measurement (CEM) Website Service Score through customer-centered redesign of web experiences.
- Implement an improved PERF and TRF quarterly member statement format that includes relevant Defined Benefit (DB) information, Annuity Savings Account (ASA) information and service credit history.
- Increase the number of members reporting an intentional asset allocation through education regarding ASA investment options.

Key Operational Requirements

- Increase customer satisfaction by providing actionable customer satisfaction data, feedback and consulting services.
- Conduct a general member survey annually to measure members' awareness and satisfaction of INPRS information and services.
- Provide required reports to the Legislature including the Pension Management Oversight (PMO) Committee.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 3: Accurately, timely and efficiently collect and maintain actuarially required employer contributions and data.

Strategic Objectives

- Increase employer satisfaction with Employer Reporting and Maintenance (ERM) through ERM enhancements and communication to employers.
- Reduce the number of reported employer transaction exceptions through ERM enhancements and communication to employers.

Key Operational Requirements

- Request pension relief information from employers.
- Process requests for new units and enlargements biannually.
- Complete actuarial valuation reports annually.
- Establish annual employer contribution rates at or above the Actuarially Determined Employer Contribution (ADEC) rates.
- Provide Annual Contribution Rate letters to employers.
- Track and report the timeliness of employer contributions. Explore opportunities to maintain employers' compliance within established contribution time frames.
- Work with actuaries annually to review a plan to maintain stable contribution rates and provide for a more consistent cash outflow for employers over time.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 4: Achieve a consolidated Defined Benefit (DB) asset net rate of return equal to the actuarial assumed rate of return within accepted cost and risk parameters with sufficient cash flow to pay all benefit obligations.

Strategic Objectives

- Complete a Defined Benefit (DB) asset/liability study to refine the DB asset allocation.
- Assess advantages and disadvantages of managing investment assets internally.
- Develop “SAFE” mode plan in order to quickly rebalance investment portfolio in response to anticipated or actual major shifts in global market conditions and/or negative political events.

Key Operational Requirements

- Achieve the DB investment targets and metrics.
- Complete Investment Department specific contingency planning.
- Review and evaluate the vendor risk of INPRS’ Custodian (financial health, continuing operations etc.).
- Annually conduct a review of investment management fees, including benchmarking fees as compared to other public pension funds.
- Perform a complete trading cost analysis (see Addendum 3.5 of Investment Policy Statement (IPS)).
- Address home country bias in the fixed income portfolio.
- Review the cash overlay program. Determine the appropriate structure and allocation.
- Transition from risk monitoring to risk management through risk rebalancing optimization.
- Improve reporting and communication to the Executive Director and the Board.
- Complete the annual Investment Policy Statement (IPS) Review.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 4: Achieve a consolidated Defined Benefit (DB) asset net rate of return equal to the actuarial assumed rate of return within accepted cost and risk parameters with sufficient cash flow to pay all benefit obligations.

Key Operational Requirements, cont.

- Provide all pension benefits, member refunds, administrative payments and all other payments from available cash balances without unplanned and/or premature liquidation of desired investment assets.
- Complete a liquidity analysis of plans, taking into consideration projected cash out flows and the liquidity position of the investment portfolio on an annual basis.
- Provide and review a rolling six-month cash flow forecast, reflecting incoming contributions and outgoing disbursements.
- Provide and review a 10-year cash flow forecast reflecting incoming contributions and outgoing disbursements.
- Monitor securities litigation and opportunistically participate in domestic and/or international cases to maximize INPRS' loss recovery.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 5: Provide industry competitive Annuity Savings Account (ASA) and Defined Contribution (DC) fund options that achieve rates of returns equal to or greater than the funds' benchmarks.

Strategic Objectives

- Successfully implement the third party ASA annuity rate changes directed by the Indiana Legislature.
- Research the next generation of ASA options such as Stable Value, Risk Parity, Real Assets and Consolidated Retirement Investment Fund (CRIF). Implement where appropriate.
- Evaluate the benefits and detriments of self-directed brokerage accounts and Roth options in the ASA. Implement if warranted.
- Evaluate the benefits and detriments of auto-acceleration for ASA only participants. Implement if warranted.
- Compare best practices with the Indiana Deferred Compensation Plan and take advantage of synergies and best practices where applicable.

Key Operational Requirements

- Perform an annual review of ASA and DC fund options, including glide path (asset allocation) assumptions for target date funds.
- Achieve ASA metrics.
- Annually conduct a review of investment fees.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 6: Provide financial statements accurately, timely and efficiently.

Strategic Objectives

- Implement changes related to new Government Accounting Standards Board (GASB) pension accounting standards, GASB #67 & #68, to ensure receipt of an unqualified audit opinion for INPRS and timely delivery of information to employers for their financial statement reporting requirements.
- Increase the accuracy, timeliness and efficiency of maintaining financial records through enhancements to the Oracle E-Business Suite (EBS).

Key Operational Requirements

- Obtain an annual unqualified opinion from the external auditor.
- Publish the INPRS Comprehensive Annual Financial Report (CAFR) annually.
- Obtain an annual Government Finance Officers Association (GFOA) certification of the CAFR.
- Finalize the monthly financial statement close package by 12th business day each month.
- Ensure that any audit findings or control issues identified in the annual external audit have action plans developed to correct the deficiency or material weakness within 30 days after the close of the audit.
- Provide Net Pension Obligation Reports to required employers through CY2014 financial period.
- Annually publish audited GASB #68 related schedules for employers.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 7: Maintain an effective operating cost structure that leverages leading governance practices, management practices, benchmarking and secure business processes.

Strategic Objectives

- Improve the quality and efficiency of key business processes by implementing quality management and process management skills as a core competency and culture across INPRS.
- Implement a business process that identifies, prioritizes and tracks completion of cost and service improvements identified in industry benchmarking reports.
- Enhance the process to review and prioritize projects and resources to enable the best return on investment.
- Create opportunities for a more efficient cost structure by evaluating better tools to analyze costs.
- Reduce cost by optimizing the use of INPRS leased and owned office space.

Key Operational Requirements

- Complete the implementation of the post-modernization IT organizational structure.
- Determine appropriate Board education and implement annually.
- Maintain a strategic plan on a three-year time horizon to be updated annually.
- Establish an operating budget to be approved by the Board no later than June 30 of each year.
- Report financial performance to the budget at every Board meeting.
- Participate in the annual Cost Effectiveness Measurement (CEM) survey. Coordinate responses to the survey and complete a plan for consideration of improvement recommendations and cost issues.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 7: Maintain an effective operating cost structure that leverages leading governance practices, management practices, benchmarking and secure business processes.

Key Operational Requirements, cont.

- Identify additional benchmarking in the financial services industry and other areas that will provide insight and continuous improvement ideas.
- Implement a cost-tracking tool to capture project costs and IT costs by activity.
- Evaluate the cost/benefit of tracking costs (other than IT and project costs) by activity.
- Provide consistent guidelines and processes that define the creation, review, approval, distribution, tracking and updating of policies and procedures used by INPRS.
- Revise and maintain a General Retention schedule for all documents and emails.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 8: Proactively manage enterprise risk.

Strategic Objectives

- Improve information security by building an information security program including active penetration testing, organizational security awareness training and enhanced data encryption.
- Establish a comprehensive data integrity program.
- Deliver more timely and accurate access to information through enhanced INPRS Reporting Portal (IRP) capabilities, including the addition of Xerox and the Oracle E-Business Suite (EBS) data to the business intelligence infrastructure.
- Enhance delivery and improve efficiency in provisioning Software Quality Assurance services by determining best approach, gaining approval and implementing a long term solution.
- Improve disaster Recovery Time Objectives (RTO) to 84 hours and Recovery Point Objectives (RPO) to two hours utilizing new Recovery as a Service (RaaS) technologies.
- Enhance the comprehensive INPRS compliance program to ensure compliance with all federal and state requirements.
- Integrate enterprise risk analysis into the Portfolio and Project Coordination (PPC) process.

Key Operational Requirements

- Ensure customer and staff security by performing IT security access control audits twice per year.
- Support INPRS business continuity planning by holding an IT disaster recovery test to validate capabilities for timely recovery of application systems at least on an annual basis.
- Complete the biennial review of Board governance documents.
- Update and enhance the COOP (Continuity of Operations Plan) to ensure that essential services to stakeholders are continued in the short-term and recovered to “Business As Usual” in the long-term in the event that a major incident disrupts operations.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 8: Proactively manage enterprise risk.

Key Operational Requirements, cont.

- Complete a risk assessment on the Strategic Plan, assess and prioritize risks, complete deep dives identified for each fiscal year, and facilitate risk owners' reporting on decisions related to risks.
- Complete a risk assessment of the organization and develop an annual audit plan.
- Complete the integrated fraud program that will consider whistleblower input, and include annual training, quarterly articles on the INPRS intranet (PATI), specific fraud testing in each audit, and implement quarterly fraud testing in specific areas.
- Ensure that any audit findings or control issues identified during audits have action plans developed to correct the deficiency or material weakness and action plans are implemented in the agreed upon timeline.
- Monitor the compliance matrix for the Investment Policy Statement (IPS).

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 9: Recruit, train and retain the required workforce.

Strategic Objective

- Strengthen staff skills and competencies through the establishment of additional training programs.

Key Operational Requirements

- Complete the recruiting for all functional restructuring plans.
- Complete an annual employee survey and create action plans to address employee concerns.
- Refresh the Succession Plan and review the Position Risk assessment to address retention, development and documentation plans.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 10: Advocate for legislative and regulatory policies needed to achieve strategic goals.

Strategic Objectives

- Seek plan sponsor input on expansion of the Annuity Savings Account (ASA) Only plan for PERF political subdivisions and TRF employers.
- Seek plan sponsor input on ASA structure: Guaranteed Fund, potential new choices and allocation of administrative costs between member and employer.

Key Operational Requirements

- Conduct a review of Indiana Code for changes needed to achieve INPRS' mission and strategic goals at least annually in advance of the Pension Management Oversight (PMO) Committee annual meetings.
- Provide all reports as required by Indiana Code to the Administrative and Legislative branches of Indiana state government.
- Track and communicate pending legislation during legislative sessions to prepare INPRS staff for any required implementations or impacts.
- Respond to requests from the Legislative Services Agency (LSA) within timeframes mutually agreed upon between INPRS and LSA to enable appropriate review and response.
- Train INPRS functional departments to enable implementation of all legislative changes by their required implementation dates.
- Complete a monthly review of the nature of member benefit appeals and complaints to assess the need for change to code policies, processes and procedures.